

## Message Text

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ACTION COME-00

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FM AMCONSUL RIO DE JANEIRO

TO SECSTATE WASHDC PRIORITY 9741

INFO AMEMBASSY BRASILIA

AMCONSUL SAO PAULO

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FOR COMMERCE OEC/MPED

E.O. 11652: N/A

TAGS: BEXP, BR

SUBJECT: RAILWAY CARS FOR BRAZIL

REF: A) SMITH TAHER TELCON NOV 23, B) SAO PAULO 2680 C) RIO 4151

AND PREVIOUS

SUMMARY: GENERAL RUPP OF REDE FERROVIARIA STATES REDE ATTEMPTING PLACE ORDERS FOR HOPPER CARS WITH DOMESTIC MANUFACTURERS. IN LIGHT PRESENT DEMANDS PLACED ON THESE MANUFACTURERS, IT REMAINS TO BE SEEN WHETHER THIS IS VIABLE ALTERNATIVE TO IMPORTS. REDE STILL LOOKS FORWARD TO PULLMAN VISIT. FIRM OFFER BY PULLMAN MAY BE SUFFICIENT CONVINCE REDE OPT FOR AMERICAN SUPPLIER. HOWEVER, CONGEN HAS LEARNED THAT LARGE JAPANESE RAILCAR MANUFACTURER HAS JUST RECEIVED GOB APPROVAL TO PURCHASE BRAZILIAN FIRM, FABRICA NACIONAL DE VAGOES. THIS DEVELOPMENT MAY JEOPARDIZE PULLMAN'S CHANCES OF OBTAINING CONTRACT IF FIRM DOES NOT ACT RAPIDLY. PULLMAN TEAM SHOULD BEGIN DISCUSSIONS WITH REDE ASAP.

END SUMMARY.

1. CONGEN OFFICER MET WITH GEN. CARLOS HENRIQUE RUPP, DIRECTOR AND COORDINATOR GENERAL, REDE FERROVIARIA, TO DISCUSS FORTHCOMING VISIT TO RIO BY PULLMAN TEAM.

2. ACCORDING TO RUPP REDE NOW PLANNING TO PLACE ORDER FOR MOST OF

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1900 HOPPER CARS WITH BRAZILIAN MANUFACTURERS. WHEN QUERIED OVER

CAPABILITY BRAZILIAN MANUFACTURERS PRODUCE THIS NUMBER OF HOPPER CARS IN RELATIVELY SHORT TIME FRAME, RUPP REPLIED THAT MANUFACTURERS WOULD AGREE TO HOLD BACK PRODUCTION OF OTHER CARS IN ORDER MEET REDE REQUIREMENTS FOR HOPPER CARS SINCE HOPPERS REQUIRED TO MOVE UPCOMING SOYBEAN CROP TO PORTS FOR EXPORT AND NEED IS MORE URGENT. RUPP STATED FURTHER REDE HAD NOT RECEIVED ANY RESPONSE TO TENDERS FROM AMERICAN FIRMS AND THEREFORE HAD DECIDED TO UTILIZE LOCAL PRODUCTION. HE INDICATED ADDITIONAL REQUIREMENTS FOR SOME HOPPER CARS AND OTHER TYPES OF ROLLING STOCK WOULD BE MADE BY INTERNATIONAL TENDER.

3. CONGEN OFFICER ATTEMPTED EXPLAIN REASONS FOR INABILITY AMERICAN FIRMS RESPOND TO TENDER IN VERY SHORT TIME PERMITTED BY REDE. IT WAS ALSO POINTED OUT TO RUPP THAT CONGEN HAD PRESENTED LETTER TO REDE REQUESTING ONE MONTH EXTENSION OF BID DEADLINE IN ORDER PERMIT U.S. FIRMS TO RESPOND. WE HAVE NEVER RECEIVED FORMAL RESPONSE FROM REDE TO THIS LETTER. CONGEN STATED THAT THE LARGEST AMERICAN PRODUCER OF RAILWAY CARS, PULLMAN-STANDARD, WITH PRODUCTION CAPACITY OF SIXTY CARS PER DAY WAS VERY INTERESTED IN SUPPLYING CARS. PULLMAN COULD ALSO OFFER OPEN LINES OF PRODUCTION. RUPP WAS ALSO INFORMED PULLMAN WAS PRESENTLY STUDYING REDE TENDER AND WAS PREPARED TO SEND TEAM TO BRAZIL TO MAKE REDE FIRM OFFER REGARDING CARS. IN RESPONSE TO QUERY BY RUPP OFF INDICATED HE WAS NOT FAMILIAR WITH DETAILS OF PULLMAN OFFER, BUT SUGGESTED PULLMAN MIGHT BE PREPARED DISCUSS PRICES AND DELIVERY DATES. RUPP WAS TOLD THAT PULLMAN ALSO INTENDED APPOINT AGENT IN BRAZIL DURING VISIT. CONGEN SUGGESTED THAT REDE NOT TAKE ACTION ON HOPPER CARS UNTIL THEY HAD HAD OPPORTUNITY MEET WITH PULLMAN TEAM. RUPP WAS NON-COMMITTAL ON LATTER POINT BUT INDICATED REDE WOULD WELCOME VISIT BY PULLMAN AND WOULD BE WILLING DISCUSS HOPPER CAR TENDER WITH THEM.

4. CONGEN HAS LEARNED THAT TWO MEMBERS WORLD BANK NAMED KARMAN AND BLANKY VISITED REDE LAST WEEK TO DISCUSS FINANCING OF RAILWAY CARS. AS WORLD BANK DOES NOT MAINTAIN REPRESENTATIVE IN BRAZIL, MPED MAY BE IN BETTER POSITION ASCERTAIN RESULTS WORLD BANK VISIT.

COMMENT: IN CONVERSATION WITH PAULO MAZZUCHELLI, CHIEF, PURCHASING SECTION OF REDE, CONGEN HAS LEARNED THAT AS OF NOV. 26 REDE HAS NOT REPEAT NOT YET ISSUED ORDERS REGARDING PURCHASE OF LIMITED OFFICIAL USE

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HOPPER CARS EITHER BY LOCAL MANUFACTURERS OR BY INTERNATIONAL BIDS. IN VIEW OF ADDITIONAL DEMANDS FEPASA REPORTED REFTEL (B) AND INFORMATION CONGEN HAS UNCOVERED, DOMESTIC MANUFACTURE OF RAILCARS MAY NOT BE VIABLE ALTERNATIVE FOR REDE. CONGEN BELIEVES VISIT BY PULLMAN TEAM SOON WITH GOOD OFFER CAN STILL HAVE GREAT IMPACT. RUBENS TAVARES, PRESIDENT FERRAGENS SANTOS, WHOIYOPES TO REPRESENT PULLMAN IN BRAZIL, TOLD COONGEN THAT AFTER CONVERSATIONS WITH REDE OFFICIALS HE STRONGLY BELIEVES HOPPER CAR ORDER MAY STILL BE

AWARDED TO AMERICAN FIRM (PULLMAN) IF FIRM ACTS PROMPTLY AND  
DECISIVELY. ACCORDING TO TAVARES, SPEED IS OF THE ESSENCE. CONGEN  
IS ATTEMPTING DISCUSS PRESENT RAILWAY CAR SITUATION WITH COBEC  
AND CVRD (REFTEL C) REGARDING EFFECTS OF REDE DECISION MANUFACTURE  
HOPPER CARS IN BRAZIL. CONGEN HAS LEARNED FROM INDUSTRY SOURCES  
THAT A LARGE JAPANESE RAILCAR MANUFACTURER RECEIVED GOB APPROVAL  
TO PURCHASE THE BRAZILIAN FIRM, FABRICA NACIONAL DE VAGOES.  
GIVEN REDE PREDISPOSITION UTILIZE BRAZILIAN COMPANY, THIS DEVELOP-  
MENT MAY JEOPARDIZE PULLMAN'S CHANCES OBTAIN HOPPER CAR CONTRACT  
IF FIRM DOES NOT ACT WITH DISPATCH. CONGEN BELIEVES PULLMAN  
SHOULD SEND TEAM TO BEGIN DISCUSSION WITH REDE BY EARLY NEXT  
WEEK IF CHANCES TO OBTAIN CONTRACT ARE TO BE MAXIMIZED.  
BOONSTRA

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